

# Red Sea disruption pushing up container values and rates

April 18, 2024



Container values have risen significantly across almost all sectors and age categories since the start of the year.

Following an extended period of declines, where values fell steadily for this sector after reaching a record peak during the Container boom at the end of Q1 2022. However, since January 2024, values have taken a turn in the opposite direction and older vessels have shown the most strength, with values for 20-year-old Handy Containers of 1,750 TEU up by as much as 43% since the new year from US\$6.99 mil to US\$8.6 mil.

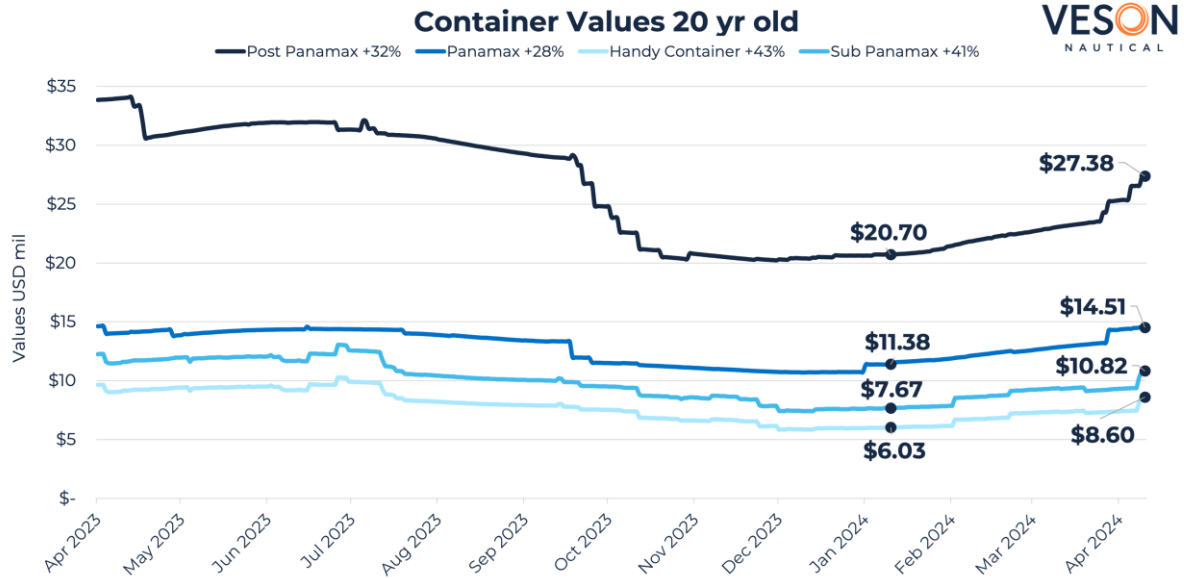


Figure 1: Increase in Container values since the start of the year by sub-sector

The increase in values has been supported by climbing earnings since the start of the year. For example, in the Handysize sector period, earnings for one year have jumped by c.39.4% from US\$9,280/Day on the first of January 2024 to US\$12,940/Day today.

This is largely due to the ongoing disruption in the Red Sea. By rerouting around the Cape of Good Hope, vessels are travelling longer distances, reducing available vessels and therefore pushing up rates. According to VesselsValue trade data, Container journeys transiting around the Cape of Good Hope have increased by nearly 200% in Q1 2024 vs. Q1 2023.

However, the latest forecast from Veson's Market Outlook predicts that, despite the ongoing conflict, as more and more Container new buildings hit the water, vessel supply will continue to outpace demand and going forward this will put pressure on rates.

MSC show no signs of slowing down with their Container buying spree of the last few years, accounting for almost a quarter of all Container sales reported so far this year. Notable benchmark sales include the Post Panamaxes Buxcoast (6,892 TEU, Aug 2001, Daewoo) and the Buxcliff (6,892 TEU, Jun 2001, Daewoo) which sold for US\$22.5 mil each in an en bloc deal, VV value US\$20.01 and US\$19.95 mil respectively. Also in March, the sub-Panamax Odysseus (2,824 TEU, 2006, Hyundai Mipo) was sold to MSC for US\$15.9 mil, VV value US\$13.61 mil.

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